

**THE IMPACT OF COMMUNICATION APPROACH TOWARDS  
STAKEHOLDER MANAGEMENT IN CONSTRUCTION INDUSTRY**

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## ABSTRACT

The communication approach chosen for communicate medium among stakeholder as vital for effective communication. This study is to identify the medium of communication that commonly used by the organization in managing their stakeholder and determine the impact of communication to stakeholder management. Both of the objectives have huge influence to ensure a success of the project. Therefore, medium of communication also give an impact towards the company on how they managing their stakeholder. Wrong chosen of communication can affected the stakeholder satisfaction, cause problems such as misunderstanding and misinterpretation between stakeholder and the organization. The population of this study is 75 contractor under Grade 7 registered with Construction Industry Development Board of Malaysia (CIDB) at Kuantan, Pahang Darul Makmur. The sample size is use as the units of analysis, 63 contractors which were from executive position was selected. In conducting this study, random sampling survey method was being used and this questionnaires survey was distributed to respondent by email and face to face. For data analyzing, this data was carried out by using Descriptive statistic is drawn from Statistical Package Social Science (SPSS) outputs. The finding from this study indicate that the medium of communication have an impact towards stakeholder management and lead to the problem to the project.

## ABSTRAK

Pendekatan komunikasi yang dipilih untuk berkomunikasi dalam kalangan pihak berkepentingan adalah penting sebagai medium komunikasi yang berkesan. Kajian ini bertujuan untuk mengenal pasti medium komunikasi yang biasa digunakan oleh organisasi dalam menguruskan pihak berkepentingan dan menentukan kesan komunikasi kepada pengurusan pihak berkepentingan. Kedua-dua objektif mempunyai pengaruh yang sangat besar untuk memastikan kejayaan sesebuah projek. Oleh itu, medium komunikasi juga memberi kesan terhadap syarikat itu tentang bagaimana mereka menguruskan pihak berkepentingan mereka. Kesalahan memilih medium komunikasi dapat mempengaruhi kepuasan pihak berkepentingan, menyebabkan masalah seperti salah faham dan salah tafsir antara pihak berkepentingan dan organisasi. Populasi kajian ini adalah 75 kontraktor dalam Kelas 7 yang berdaftar dengan Lembaga Pembangunan Industri Pembinaan Malaysia (CIDB) di Kuantan, Pahang Darul Makmur. Sampel saiz digunakan sebagai unit analisis. Oleh itu, 63 kontraktor yang dari kedudukan eksekutif dari setiap syarikat telah dipilih. Bagi menjalankan kajian ini, borang soal selidik telah digunakan dan kajian soal selidik ini telah diedarkan kepada responden melalui e-mel dan bersemuka. Untuk menganalisis data, data ini telah di analisis dengan menggunakan statistik deskriptif yang diambil dari Pakej Statistik Sains Sosial (SPSS). Hasil daripada kajian ini menunjukkan bahawa medium komunikasi memberi kesan terhadap pengurusan pihak berkepentingan dan membawa kepada masalah untuk sesebuah projek.

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

In this chapter it will provided the outline of overview and the scope of the research study. This chapter consist of the background of the research study based on the propose title. Other than that, this chapter also consists of research objective, problem statement, the research question, the scope of the study, the significant of the study and the expected result.

#### **1.2 BACKGROUND OF STUDY**

Nowadays communication is every important to build or engaging a good relationship with the stakeholders. It is because that was a one of the factor that makes the project is successful to deliver to the stakeholder or not. By having a good communication is will be most effective they will influence the outcome of the project at the end. Furthermore, good in communication will ensure they are continuously and always be informed. Management of project communications begins with an understanding of who needs what information when and generally includes all aspects of generating, collecting, disseminating, and storing communications, Phillips et al. (2011).

According to (PMBOK® Guide), Fifth Edition .There is some method or communication approach in managing the stakeholders. In formal method is the project

manager or the organization meeting them in a meeting by face to face to avoid the misunderstanding or misinterpretation of the stakeholder expectation. They also can have the conference calls to their customer to decrease the expenses such as the ticket of travel and make time saving. Another approach is by sending them the newsletters, email or poster. That are the way to communicate with the stakeholder but having this kind of communication may have the drawback.

The target to have a success communication approach is the project manager or organization teams are successful in managing the stakeholder expectation and minimize the surprises to the stakeholder. Other than that, the project manager or organization team need to manage the information that people get, perception and needs to clarify the feedback from the stakeholder in order to be successfully in delivering the project matter.

Stakeholder communication is laying a set of the “umbrella” of the values that embrace all the organization does, from strategy to structure policies, management style and so on. Where communication with all parties not rooted in the values of consistency, increases their exposure to loss of credibility of the organization,(Scholes and Clutterbuck (1998)), PMI (2008) stakeholder management was included the chapter on project communication management. It was focused on providing information to project stakeholders. The advice is to specify the project stakeholder information needs and determine a communicative approach. This approach is in the direction of selling the project to stakeholders the most important and not involves them and their interest in the creation of project objectives

According to Scott and Lane (2000) the management will take place between three levels. First is the identify of stakeholders, second is the development of processes that should recognize the respective needs and interests, and establish and build relationships with them and the whole process structured according to the objectives of the organization. A stakeholder can be defined as a group, a person or an organization that can be affected or having an interest in the project. They have their own expectation and requirement for the project. To have a good relationship with them, we need to know their requirement, needs and expectation in order to make the project having

success till the end. According to (Schwalbe (2010), Dawkins (2004)), the key of project to be failure or success are the fulfillment of the knowledge area.

### **1.3 PROBLEM STATEMENT**

Nowadays, the critical issues that have to face by many organizations are about managing a communication with the stakeholder. Communication can be highlighted as a key for the project to success. According to Bourne (2006) effective communication is a key factor the process of maintaining and building the relationship the commitment of all the stakeholders. Lack of communication with the stakeholder make decision-making of the organizational is not in the good level. The quality of decision making is not in the actual level because it will make the stakeholder are not satisfy with the decision that have been made by the organization. Other problem is when the organization use wrong medium of communication to influence the stakeholders. The communication with the stakeholder will be ineffective when the stakeholder feel that their voice are not being heard or they feel that they are not given an opportunity to voice out their ideas by the organization. Their expectation of the stakeholder to an organization also will be decreased. According to Coombs and Holladay (2007) problem in communication occur when it have too many of objective; some of it can cause conflict. One universal objective is to contain and reduce the danger. They organizations associated with the disaster or crisis can get to limit the damage the reputation, blame shifting and avoid responsibility.

The impact of this lack of communication with the stakeholders will impact the overall organization and will change the stakeholder perception about the organization. Much of the crisis communication research focuses on the impact of crisis response strategies, what an organization says and does after a crisis, on the organization's reputation Coombs (2004). This results due to inappropriate stakeholder communication management. The real situation which organization needs to do is they need to understand their responsibility or organization toward all types of stakeholder; they also need to always alert the changes of stakeholder expectation and the issues that will the stakeholder rises up to them. They need to choose which one could result better either formal communication approach or informal communication approach. If the issue or

problem comes from formal communication they need to do changes to try the informal communication with the stakeholders.

To overcome the problem with the stakeholder the organization must develop the stakeholder communication plan/strategy. This communication plan/strategy will focus on who need the information, when they need the information, who will deliver the information and how should the information be delivered. There have some input to be consider in the communication plan, Firstly is the organization need to gather planning input, then they need to identify the type of stakeholder that they work with.

After identify the type of stakeholder they need to determine the stakeholder need of requirement based on various communication approaches either in formal communication or informal communication. Then the organization needs to identify the communication method that they need to use. The responsibly team in the organization will prepare the communication draft plan then distribute the communication of draft plan to upper management. If the plan was agree they will finalize the project communication plan. When the organization face with the issue or problem that arise from the stakeholder they can use the communication strategy to get the information that they needs to communicated on.

#### **1.4 RESEARCH OBJECTIVE**

The objective of this research is:

- i. To identify the medium of communication that is commonly used to deliver messages to the stakeholder.
- ii. To rank the importance of communication impacts in managing the stakeholder.

## **1.5 RESEARCH QUESTION**

These research questions are develop to answer the entire question that will arise during this study was conducted. There was early assumptions are be made to identify the problems.

1. What is the medium of communication that commonly used by the company to communicate with the stakeholder?
2. Does the communication give impact in managing the stakeholder in construction industry?

## **1.6 SCOPE OF STUDY**

This scope of study will focus on the communication approach used by the construction companies in managing their stakeholder. The targeted population of this study is the construction contractor grade 7 registered under Construction Industry Development Board of Malaysia (CIDB) at Kuantan, Pahang. This research will be focus on Kuantan, Pahang. So it will be my targeted population of this research.

## **1.7 SIGNIFICANCE OF STUDY**

The significant of this study is to identify the best medium of communication that is use in influencing the stakeholder involvement in construction industry. This study also can help the company to build a strong stakeholder management in managing their various types of stakeholder. Other than that, this study also can be references for another organization in determining the best way to improve their relationship with their stakeholders by choosing the best medium of communication and help the organization achieve their goal.

## **1.8 OPERATIONAL DEFINITION**

### **1.8.1 Impact**

Impact is a measurement of the intangible and tangible effect of an action or the influences into contact with another.

### **1.8.2 Communication Approach**

Communication approach is a medium of communication that is used to make people understand easily by using which medium of communication that used. Communication approach can be divided into two types. First is formal communication approach and second type is informal communication approach.

### **1.8.3 Stakeholder**

Stakeholder is as a group, person or the organization that has the interest to participate or cares about the project. Some types of stakeholder can be affected or affect by the organization goal and objective. Stakeholders also have two types it was external stakeholder and internal stakeholder. External stakeholders of parties like suppliers and customers. Internal stakeholder is a people or individual that was inside the organization like managers, executive or board of directors that have benefit in distribute the development of the organization.

### **1.8.4 Stakeholder Management Capability**

Stakeholder management capability is the power of the management in managing which organization that influences the stakeholder relationship. Organization who wants to achieve a high level of capability will depend on management ability to have effectively negotiation, implementation and execution in order to solve the problem that has relationship with the stakeholder.



## **1.9 EXPECTED RESULT**

Based on this study, it can provide better chosen medium of communication between organization and the stakeholders without having the same problem as before. Other than that, by having and providing the organization with suggestion of medium communication it can help the organization achieve their goal with higher satisfaction and influence on the stakeholders. By choosing the right approach of communication medium it help to minimize error of the organization when organization having a communication problem with their stakeholders.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

In this chapter two is about the literature reviews that have been made done in order to get the information from earlier research. This chapter will cover the overview of stakeholder, stakeholder communication, project communication management and stakeholder communication in construction industry. Next, this literature review also will covers overview on effectiveness stakeholder communication and stakeholder communication approach barrier of communication. In addition, it also contain the types of communication, medium of communication that be used in dealing with the stakeholder in a project and last but not least is benefit of the stakeholder communication.

#### **2.2 STAKEHOLDER**

Stakeholder has big influence for a project. Stakeholders can be group or individual those have interest in the project and want project being success. Based on Freeman (1984) 'the stakeholders are in term of individual or organization that has an interest or a stake in the project'. According to (PMBOK® Guide), Fifth Edition, 'Project stakeholders are individuals, groups, or organizations who may affect, be affected by, or perceive themselves to be affected by a decision, activity, or outcome of

a project'. Stakeholder can affect the organization either negative or positive side and it have two types of stakeholders they are internal stakeholders and external stakeholders.

Refer to Harrison et al. (2010) say stakeholder consists of both of external stakeholder and internal stakeholder. These two groups have different influence in the project for examples, local community and government do not have a contract of the project as external stakeholder but internal stakeholder like management and project manager have "official contractual" in the organization. So that, the organization must know the relationship between both of the stakeholder Clarkson (1995) Internal stakeholder may contain the person that is in the organization like a project manager, the management, project team and a sponsor of the project. Then external stakeholder may be consisting of the supplier, the client of the project, sub-contractor, government, local community and media.

Different types of stakeholders have different type of expectation and satisfaction. So, the organization must identify the entire stakeholder that involve in the project so that they can create the stakeholder management plan or strategy to manage all the stakeholders in order to make the project success and achieve the organizational goal. According to Clarkson (1995) the concept of stakeholder is to ensure that the organization can analyze their stakeholders because their stakeholder may influence the organizational action.

### **2.2.1 Stakeholder Management**

Stakeholder management is one of factor that can determine the project to be success. Stakeholder management also may be defining as a process of monitoring, maintaining and forming the relationship with the stakeholder. It also use for managing all stakeholder need and requirement for fulfill all expectation and satisfaction of stakeholders. Refer to Guide (2001) project management is very cares about the stakeholder expectation and needs because it wants to balance the requirement of stakeholder if it was happen. Organization that want have an effective managing of stakeholder must have biggest influence that others organization. In order to be an effective management the organization must be proactive in managing their stakeholder and have good bonding of relationship with them. Donaldson and Preston (1995), say based on another perspective, the management approach to support the organization strategic goal which consist of both external and internal, so that it can build the relationship with the stakeholder involve.

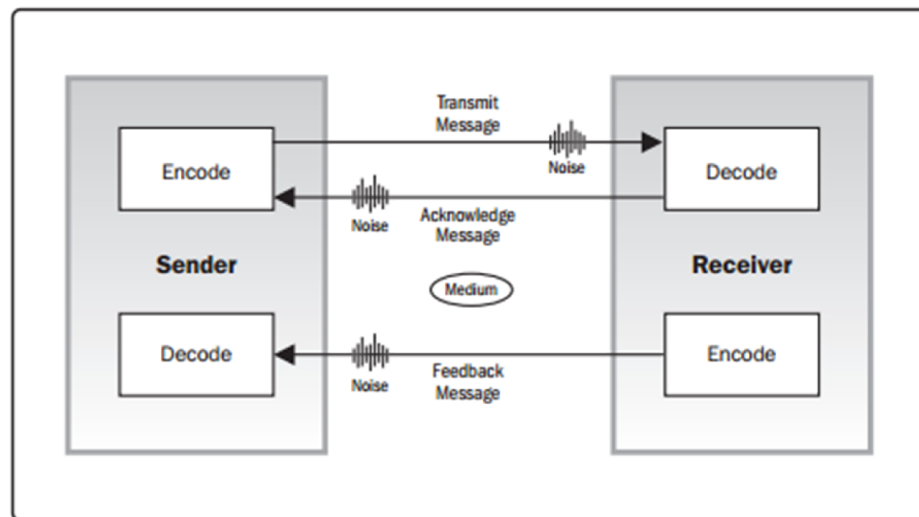
In stakeholder management, first thing that need to do is identify the entire project stakeholder. The management must identify their stakeholder because they can affect the project either in positive or negatively because the can purpose a management plan to those stakeholder that faced problem along the project was carry or to those stakeholder that do not understanding what is going on to the project. Andersen (2008), “stakeholder is a group or people that influence the project or affected by the project”. Stakeholder must be identify at earlier of the project because to rank the level of influence of the stakeholder to the project. By ranking the stakeholder into different types of level of influence it will help the management to propose effective communication plan that prefer different level of information that they needs

## **2.3 STAKEHOLDERS COMMUNICATION**

Communication can be defined as a flow of the communication between person to another person. The communications will involve the sender and receiver in order to transmit the information. Communication will influence the entire project from the beginning until the project end. Having a suitable and effective communication

approach flow in the project will ensure good output of the project at the end. Communication is an importance factors that can determine the successful of the project because it we let the organization to manage the stakeholder expectation and satisfaction in their project.

There is communication model:



**Figure 2.1:** Basic Communication Model  
*Source:* (PMBOK®Guide) – Fifth Edition

Based on this basic communication model, there is some aspect that needs to be considering when communication project is being discussed. As sender, they needs to transfer the information have to be responsible that the information that they sent can be understand, clear and complete. Then, for receiver they need to make sure that the information that have been transfer to them was acknowledged and was understood correctly to avoid misunderstanding later between the sender and the receiver.

According to Kerzner (2004), 'Poor communication can make communication overcrowding, between the organization and client organization'. It also will build a good relationship between the organization and the stakeholder in the project in future. Project can be derive as success project when the project met all the expectation and satisfy the requirement of the stakeholders. The communication is a factor project-based management to be success Dainty et al. (2006) If the communication bonding between

the organization and the client is strong the project are in a right way to success and otherwise Campbell (2010).

Having good line of communication with the stakeholder will ensure that all the stakeholder that was involve in the project affected by the project are always have been adequate inform continuously. Furthermore, to communicate with the all stakeholder are importance and must be started at the beginning of the project runs until the end of the project, it was importance because the organization must ensure that they are being always be updated about the project and give them opportunity to give the feedback and involve in the project. Communication start when the management understand of what, when and who stakeholder need the information in all aspect of project communications Phillips et al. (2011)

### **2.3.1 Internal Stakeholder Communication**

Internal communication is defined as the official flow of communication within an organization and among all the employees. It can be unofficial or official communication as much as the employee can get information, exchange opinion or develop communication with them. According to Welch and Jackson (2007) Internal communication happened recently in organization and it was important. They also define that; "...The strategic management of relationship or interaction between all employees in organization are interrelated" and;

*"The strategic management of interactions and relationships between stakeholders within organizations' across a number of interrelated dimensions including, internal line manager communication, internal team peer communication, internal project peer communication and internal corporate communication"*

(Welch & Jackson, 2007, p. 184)

Other than that, they also say that many of the researchers are claim that two-way communication is good for organization to be excellent. In addition, internal communication also will be linked with the internal stakeholders. Internal

communication can be delivered in many kind of communication approach such as formal meeting, face-to-face, email, phone calls and many more.

### **2.3.2 External Stakeholder Communication**

External communication is defined as the flow of communication outside the organization. External communication will involve the project sponsor, client and stakeholder. The organization responsible to providing them with clear, consistent with current information of the project. Every changes, project review and project progress report are the key of external communication with stakeholder. According to Saunders (1999) external communication are focusing on people that was outside the organization. People outside the organization are important because they were a contributor in investment or funding in the project.

## **2.4 PROJECT COMMUNICATION MANAGEMENT**

According to Guide (2001) Effective communication is important to influence the stakeholder in involving in the project. The effectiveness of communication with the stakeholder cannot be overestimate because they are brought influential impact in the success of a project. Communication with the stakeholder is vital to the organization, but it was not always easily or effectively managed.

There is a process of communication management with stakeholder:

### **1. Identify stakeholder**

The organization must identify their stakeholder first in order to assess the importance of their different stakeholder. By this ways they know how to manage their stakeholder effectively. It will involve identifying the stakeholder influence, interest and power.

## 2. Plan the communication

In this process, the organization will start to do documentation about the stakeholders' needs and requirements that were identified at the stakeholder identification process. By this way, the organization can decide what types of communication plan that should be used.

## 3. Information distribution

This process will implement all the needs of communication with the stakeholder and it will effectively execute the Communication Management Plan. To distribute the information, various types of techniques such as facilitation technique, writing style, choice of media or meeting management technique. It will reflect on unexpected information requests.

## 4. Managing stakeholder expectation

To manage all stakeholder expectations can consist of various kinds of communication approach, management skill or interpersonal skills in order to ensure their expectations will be fulfilled and communication needs have been addressed.

## 5. Performance report

This process will involve the progress of information that has been communicated to identify the stakeholder in ensuring the performance. This performance report has to provide latest information at different levels of stakeholder.

# 2.5 STAKEHOLDERS COMMUNICATION IN CONSTRUCTION

Communication is important between the organization and the stakeholder. It is because communication with both that involve in the construction is one of the factors that will make the project success. Effective communication in terms of choosing medium of communication is important because it will lead both of the parties involved easily to communicate to each other's and the project will run smoothly. Poor